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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
SOUTHWEST GAS CORPORATION FOR
THE ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE
OF ITS PROPERTIES THROUGHOUT
ARIZONA

Docket No. G-01551A-10-0458

Arizona Corporation Commission

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**COMMENTS OF
RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO")
IN RESPONSE TO THE STAFF MEMORANDUM AND PROPOSED ORDER**

RUCO submits comments in reference to the Staff Report and Proposed Order in the above-referenced Southwest Gas Energy Efficiency Implementation Plan. RUCO has three concerns regarding the proposed Order and Staff Report.

1. The Staff Report recommends approval of three (3) plans that ARE NOT cost effective.

RUCO asks the Commission to reject EE programs that are not cost effective as such programs are contrary to the Commission's goals and objectives (R14-2-2503(a) and are contrary to the assurance that the program's incremental benefits exceed their incremental costs (R14-2-2512(a). Commission Rule directs Staff to apply the "Societal Cost Test" to

1 determine whether a program is cost effective (R14-2-2512). A program meets the *minimum*
2 *threshold* for cost effectiveness by achieving a benefit-cost ratio of 1.0.

3 The Staff Report justifies approval of the 3 programs because they "are very close to
4 the level required for cost-effectiveness."¹ The Report also considers that "avoided
5 environmental costs" make approval of the three programs appropriate. RUCO notes that the
6 Societal Cost Test already takes into account "avoided environmental costs". Commission
7 Rule defines Societal Cost Test as:

8 "a cost effectiveness test of the net benefits of DSM programs that
9 starts with the Total Resource Cost Test, **but includes non-market**
10 **benefits and costs to society.**" (R14-2-2401(36))

11 If approved, customers will pay for these programs through the DSMAC. It is unfair for
12 customers to pay for programs that do not even meet the bare minimum requirement for cost
13 effectiveness.

14 **2. The Staff Report and the Order omit material information that, pursuant to the**
15 **terms of the proposed Settlement Agreement, Southwest Gas has an Application**
16 **pending before the Commission seeking approval for \$16.5 million to be collected**
from the DSM adjuster. (Docket No. G-01551A-11-0344)

17 While this proposed Order increases revenues collected from the DSMAC from \$4.4
18 million to \$8.4 million, there is no mention of Southwest Gas's *pending* Application to increase
19 revenues even further to **\$16.5 million** and that the Application is a result of the energy
20 efficiency commitments in the proposed Settlement Agreement for Southwest Gas's rate case.

21 The proposed Settlement Agreement obligates all signatories to the Agreement to
22 defend all provisions of the Agreement. (Settlement Agreement 8.8)

23
24

¹ The 3 programs are: (1) tankless water heater (0.94), (2) attic insulation (0.97), and (3) typical low-income energy conservation project (0.98)

1 The Settlement Agreement commits Southwest Gas to achieving (and the signatories to
2 supporting) specified energy efficiency goals even if the Commission amends the Energy
3 Efficiency Rules (5.11).

4
5 "In order to increase the customer annual energy savings that are
6 being agreed to as part of this Agreement, Southwest Gas shall file
7 in a new docket within 60 days of filing this Agreement a new and
8 revised EE and RET Implementation Plan ...setting forth a plan for
9 how it proposes to comply with the energy savings goals set forth
10 therein. The new and revised EE and RET Implementation Plan
11 will be incremental to the modified EE and RET Plan measures that
12 are being committed to by Southwest Gas as part of this
13 Agreement." (5.10)

14 On September 12, 2011, Southwest Gas filed a new Application. "Pursuant to the terms
15 and conditions of the Settlement Agreement, Southwest Gas hereby requests approval of its
16 EE and RET Plan a copy of which is attached here to as Exhibit A. The EE and RET Plan
17 consists of ten programs with an estimated budget of \$16.5 million that are designed to
18 achieve approximately 3,597,767 therms or therm equivalents in energy savings during the
19 first 12-months following Commission approval of this application.

20 If approved, customers' DSMAC rate would increase from \$0.00200 to \$0.02673.

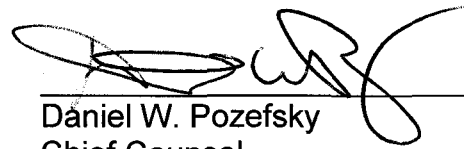
21 RUCO believes the Commission should understand the full extent of the energy
22 efficiency commitments of the Settlement Agreement and that this proposed Order which
23 doubles DSMAC revenues is only the first half of the overall commitment for \$16.5 million from
24 ratepayers.

- 25
26 **3. The proposed Order fails to provide information on what the new DSM adjuster
27 rate will be if the Plan is approved and how this increase will impact the average
28 residential customer.**

1 The current DSM adjuster collects approximately \$4.4 million per year from ratepayers.
2 The proposed Order would increase this amount to \$8.4 million. However, the Order does not
3 include information on how the DSM rate would increase in order to collect the additional
4 revenue or how this increase would impact the average residential ratepayer.

5 On Friday, December 9, 2011, Southwest Gas filed Comments which included this
6 information. If approved, the DSM adjuster would increase from \$0.00200 to \$0.01417 per
7 therm and increase the average residential bill by \$0.35. Upon Staff verification of this
8 information, RUCO respectfully asks that it be added to the proposed Order.

9
10 RESPECTFULLY SUBMITTED this 12th day of December, 2011.

11
12 
13 Daniel W. Pozefsky
Chief Counsel

14 AN ORIGINAL AND THIRTEEN COPIES
15 of the foregoing filed this 12th day
16 of December, 2011 with:

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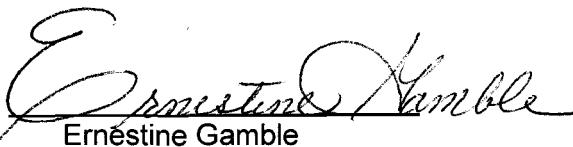
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